APPENDIX 4D
Half-Year Report

Name of entity:	**Pact Group Holdings Ltd**
ABN:	**55 145 989 644**

Half-year ended ('current period')	Half-year ended ('previous corresponding period')
31 December 2018	**31 December 2017**

Results for announcement to the market

				$'000
Revenue and other income from ordinary activities	Up	13.4%	to	921,252
Net profit from ordinary activities after tax attributable to members	Down	824.1%	to	(319,551)
Net profit for the period attributable to members	Down	824.1%	to	(319,551)

Dividends	Amount per security	Franked amount per security	Total dividend amount ($'000)
Current year to 31 December 2018			
Interim Dividend (per ordinary share)[(1)]	-	-	-
Prior year to 30 June 2018			
Final Dividend (per ordinary share)	11.50 cents	7.48 cents	38,236
Interim Dividend (per ordinary share)	11.50 cents	7.48 cents	38,236

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security [(2)]	$(0.54)	$0.12

[(1)] The Directors have determined that there will be no interim dividend in the current year
[(2)] Net tangible assets excludes goodwill and other intangible assets (refer to note 3.1 in the Half-year Consolidated Financial Report)

For the profit commentary and any other significant information needed by an investor to make an informed assessment of the results for Pact Group Holdings Ltd ('Pact') please refer to the accompanying Half-year Consolidated Financial Report.

Jonathon West
Company Secretary

Dated: 20 February 2019

REVIEW OF OPERATIONS AND FINANCIAL PERFORMANCE

Pact Group Holdings Ltd

Results for the half-year ended 31 December 2018

The Group has reported revenue of $915.4 million for the half-year ended 31 December 2018, up 13% compared to the prior corresponding period (pcp). The statutory net loss after tax for the half-year was $319.6 million, compared to a statutory net profit after tax (NPAT) of $44.1 million in the pcp. NPAT before significant items[4] for the half-year was $35.7 million (pcp: $50.5 million).

OVERVIEW

- Revenue[1] up 13% to $915.4 million (pcp: $808.1 million)
- EBITDA[2] of $110.1 million (pcp: $120.7 million)
- EBIT[3] of $69.5 million (pcp: $86.8 million), impacted by higher depreciation and amortisation
- NPAT[4] of $35.7 million (pcp: $50.5 million)
- Asset impairment expense of $368.8 million recognised in significant items in the period, reflecting trading conditions and a moderated long-term outlook for Australian packaging assets
- Restructuring costs of $34.2 million recognised in significant items in the period, mostly associated with the packaging network redesign
- Significant adverse earnings impacts from lags in recovering higher raw material and Australian energy costs
- Underlying volumes
  - Packaging volumes adversely impacted by drought conditions and subdued demand in dairy, food and beverage sector
  - Materials handling volumes adversely impacted by the availability of fewer council bin and infrastructure projects
  - Contract manufacturing volumes favourably impacted by growth in the health and wellness sector and contract wins
- Operational excellence programs accelerated, including the announcement of a further three site rationalisations, and the Network Redesign progressing with urgency
- Group operating model changed to improve focus on the underlying portfolio performance
- Prior year acquisitions and TIC Retail Accessories (acquisition completed 31 October 2018) performing in line or slightly above expectations
- New crate pooling contract to support ALDI in Australia secured, with services to commence in late 2019, further enhancing scale of crate pooling services
- No interim ordinary dividend determined, with cash to be retained to fund the Network Redesign

Key Financial Highlights - $ millions	Dec 2018	Dec 2017	Change %
Revenue[1]	**915.4**	808.1	13%
EBITDA[2]	**110.1**	120.7	(9%)
EBIT[3]	**69.5**	86.8	(20%)
NPAT[4]	**35.7**	50.5	(29%)
Statutory Net (Loss)/Profit After Tax	**(319.6)**	44.1	(824%)
Interim Dividend – cents per share	**-**	11.5	(100%)

Note: EBITDA, EBIT and NPAT are non-IFRS financial measures and have not been subject to audit by the Company's external auditor. Refer to page 7 for definitions.

OUTLOOK

The Group expects EBITDA for the full year ending 30 June 2019 to be in the range of $230 million to $245 million. The range is impacted by uncertainty around the speed with which revenue and efficiency projects can be delivered and the rate with which input cost lags can be recovered.

Looking forward, the Board will continue to balance the capital needs of the business with shareholder returns in order to make a final assessment regarding reinstating dividends at the appropriate time.

REVIEW OF OPERATIONS AND FINANCIAL PERFORMANCE

GROUP RESULTS

Half Year ended - $'000	Dec 2018	Dec 2017	Change %
Revenue[1]	**915,399**	808,146	13.3%
Other income (excluding interest revenue)	**6,748**	4,721	
Expenses	**(812,011)**	(692,154)	
EBITDA[2]	**110,136**	120,713	(8.7%)
EBITDA margin	**12.0%**	14.9%	
Depreciation and amortisation	**(40,625)**	(33,924)	
EBIT[3]	**69,511**	86,789	(19.9%)
EBIT margin	**7.6%**	10.7%	
Significant items (before tax)	**(407,714)**	(6,723)	
EBIT after significant items	**(338,203)**	80,066	(522.4%)
Net finance costs expense	**(18,935)**	(16,172)	
Income tax expense	**(14,856)**	(20,112)	
Significant tax items	**52,443**	346	
Net (loss) / profit after tax	**(319,551)**	44,128	(824.1%)

Revenue

Group revenue for the half year increased 13.3% compared to the pcp to $915.4 million, driven primarily by the acquisitions of the Asian packaging operations (excluding Japan) of Closure Systems International and the Guangzhou China facility of Graham Packaging Company (the "Asian acquisition", undertaken in the second half of FY2018) and TIC Retail Accessories (TIC, completed 31 October 2018).

Excluding acquisitions, revenue was up 1% versus the pcp. The impact of higher pricing, reflecting the partial pass through of higher input costs, was mostly offset by lower overall net volumes. Contract manufacturing volumes were stronger, largely due to demand growth in the health and wellness sector. However, packaging volumes were down on the pcp, impacted by weak agricultural demand due to drought conditions and generally subdued demand in the dairy, food and beverage sector in Australia and New Zealand. Materials handling volumes were adversely impacted by fewer available bin and infrastructure projects in the period as well as lower agricultural demand.

EBITDA

EBITDA of $110.1 million was $10.6 million (8.7%) lower than the pcp. Earnings were favourably impacted by the contribution from the Asian and TIC acquisitions. These benefits were offset by lags in recovering significantly higher raw material prices in both the Australian packaging and contract manufacturing businesses along with significant energy cost increases in Australia. Lower overall net volumes were largely offset by a continued focus on operational excellence.

EBIT

EBIT of $69.5 million for the half year was $17.3 million (19.9%) lower than the pcp due to the earnings impacts noted above along with higher depreciation and amortisation from acquisitions, growth initiatives and capital investment in efficiency projects.

EBIT margins at 7.6% were 3.1%pts lower than the pcp.

Further detail on revenue and earnings in each of the Group's operating segments is contained in the Review of Operations below.

Significant Items

Pre-tax significant items for the half year were an expense of $407.7 million. This includes an impairment expense of $368.8 million ($136.3 million fixed assets; $232.4 million intangible assets), an inventory write-down of $2.6 million, costs associated with business restructuring programs of $34.2 million and acquisition costs of $2.1 million. Pre-tax significant items in the prior year related to costs associated with the completion of the Efficiency Program announced in FY2015 ($1.0 million), acquisition costs ($0.6 million) and deferred settlement costs ($5.1 million). The latter represented revisions to the earn-out provision estimates, mostly due to stronger than expected earnings from Pascoe's.

Net Finance Expense

Net financing costs for the half year were $18.9 million, an increase of $2.8 million compared to the pcp. The increase is due to the impact of higher average net debt during the period, following the funding of acquisitions in the current period and prior periods, along with higher interest costs on longer term debt. Interest cover of 6.5x was lower than the pcp but remains well within targeted levels.

Income Tax Expense and Significant Tax Items

The income tax expense for the half year (before significant items) was $14.9 million, representing an average tax rate of 29.4% of net profit before tax and significant items, in line with the statutory tax rates payable by the Group across its main operating geographies. The significant tax item for the half year is a benefit of $52.4 million relating to the significant expense items noted above.

REVIEW OF OPERATIONS AND FINANCIAL PERFORMANCE

Net (Loss) / Profit after Tax

The statutory net loss after tax for the half year was $319.6 million, compared to a net profit after tax (NPAT) of 44.1 million in the pcp. Excluding significant items, NPAT was $35.7 million compared to $50.5 million in the pcp.

BALANCE SHEET

$'000	Dec 2018	June 2018	Change %
Cash	**58,179**	67,980	(14.4%)
Other current assets	**472,590**	385,636	22.5%
Property plant & equipment	**645,348**	755,413	(14.6%)
Intangible assets	**478,203**	584,193	(18.1%)
Other assets	**68,305**	57,365	19.1%
Total Assets	**1,722,625**	1,850.587	(6.9%)
Interest bearing liabilities	**796,149**	667,253	19.3%
Other Liabilities payables & provisions	**634,375**	600,134	5.7%
Total Liabilities	**1,430,524**	1,267,387	12.9%
Net Assets	**292,101**	583,200	(49.9%)
Net Debt[7]	**737,970**	599,273	23.1%

Net debt at the end of the half year was $738.0 million, an increase of $138.7 million from 30 June 2018. The increase has been driven by higher working capital due to seasonal factors and increased inventory levels following changes to the resin sourcing model in Australia (which has resulted in significant volumes shifting from domestic supply to import), lower EBITDA and the funding of growth projects, including acquisitions. The increase in net debt compared to the 31 December 2017 comparative period is $218.8 million and includes acquisition related outflows of $182.3 million.

The increase in other current assets of $87.0 million includes working capital of $42.4 million relating to acquisitions. The balance is primarily higher seasonal working capital and higher Group raw material inventory as noted above.

The decrease in property plant and equipment of $110.1 million primarily relates to the impairment write down of $136.3 million, partly offset by $25.3 million from acquisitions and an increase of $7.8 million related to foreign exchange translation.

The decrease in intangible assets of $106.0 million is predominantly the $232.4 million Australian goodwill and intangibles impairment expense, partly offset by $128.0 million of goodwill recognised on the acquisition of TIC.

The increase in other liabilities, payables and provisions of $34.2 million includes $18.3 million from acquisitions and $72.5 million in deferred consideration relating to the TIC acquisition. These have been partly offset by seasonal lower Group trade payables.

The Group has several revolving debt facilities and a working capital facility with total commitments of $1,009.1 million, of which $209.2 million is undrawn at 31 December 2018. The facilities are spread across multiple maturities, with the working capital facility revolving with an annual review. The debt facilities include a $382.8 million loan facility maturing in July 2020, a $300.6 million loan facility maturing in March 2023, a $184.2 million term loan facility maturing in January 2023 and a term loan facility for $120.0 million maturing in November 2024. Average tenor is 3.4 years.

Financing metrics	Dec 2018	Dec 2017	Change
Gearing[5]	**3.3x**	2.2x	1.1
Interest Cover[6]	**6.5x**	7.6x	(1.1)

As at 31 December 2018 gearing was 3.3x, an increase from 2.2x in the pcp, impacted by the funding of growth projects in the previous 12 months (including the cash component of the TIC acquisition and the Asian acquisition) and lower EBITDA. The pcp benefited from proceeds from the equity raising completed in the prior period, in advance of the Asian acquisition. Excluding equity raising proceeds in the pcp gearing would have been 3.0x.

REVIEW OF OPERATIONS AND FINANCIAL PERFORMANCE

CASHFLOW

$'000	Dec 2018	Dec 2017	Change %
Net cash flows provided by operating activities	**2,452**	29,927	(91.8%)
Payments for property, plant and equipment	**(36,919)**	(45,260)	(18.4%)
Purchase of businesses and subsidiaries, net of cash acquired	**(57,934)**	(3,467)	1,571.0%
Net proceeds from issuance of shares	**-**	172,573	(100.0%)
Payment of dividend	**(38,236)**	(34,412)	11.1%

Statutory operating cash flow including proceeds from securitisation was $2.5 million for the half year, $27.5 million lower than the pcp. The inflow from securitisation of trade debtors was $13.6 million in the half year compared to $1.2 million in the pcp. Excluding securitisation inflows, statutory operating cash flow was $39.9 million lower than the pcp. Net receipts and payments were $33.1 million lower as a result of lower earnings and higher working capital requirements. Tax cash flows were also $3.0 million higher and interest cash flows $3.8 million higher, the latter in line with the higher net interest expense.

Payments for property, plant and equipment were $36.9 million in the half year compared to $45.3 million in the pcp. Capital expenditure was lower following the completion of crate pooling assets and facilities but with the reduction partly offset by increased efficiency related capital expenditure in the contract manufacturing business and the inclusion of capital expenditure from acquisitions, notably the Asian acquisition.

Payments for purchases of businesses and subsidiaries (net of cash acquired) of $57.9 million primarily includes the cash component of the TIC acquisition ($28.3 million, less net cash acquired of $2.8 million), completion payments related to the Asian acquisition ($9.4 million) and an earn-out payment for the Pascoe's acquisition completed in FY2017 ($23.0 million). The prior year outflow related to the acquisition of ECP Industries ($10.4 million), partly offset by a purchase price adjustment in relation to working capital of $5.5 million in relation to the Pascoe's acquisition along with some small adjustments for other prior year acquisitions.

REVIEW OF OPERATIONS AND FINANCIAL PERFORMANCE

REVIEW OF OPERATIONS

During the period the Group changed operating segments from Pact Australia and Pact International to:

- Packaging and Sustainability
- Materials Handling and Pooling
- Contract Manufacturing Services

Reporting and management structures have been realigned to improve focus on the performance of these segments.

Prior year comparatives have been restated on a consistent basis. Inter-segment revenue eliminations of $20.3 million (pcp: $15.6 million) are not included in the segment financial information below.

Packaging & Sustainability

The Packaging and Sustainability segment encompasses the Group's packaging and sustainability businesses. The business is a market leader in rigid plastic packaging in Australia and New Zealand with a growing presence in Asia. The business is also a leader in select rigid metals packaging sectors in Australia and New Zealand and also a leading supplier of sustainability, environmental, reconditioning and recycling services in Australia and New Zealand. Packaging & Sustainability contributed 67% of the Group's revenue in the first half of FY2019.

Half Year Ended 31 December $'000	Dec 2018	Dec 2017	Change %
Revenue[1]	**615,009**	525,461	17.0%
EBITDA[2]	**74,305**	77,672	(4.3%)
EBIT[3]	**45,807**	53,222	(13.9%)
EBIT Margin %	***7.4%***	*10.1%*	*(2.7%)*

Revenue for Packaging and Sustainability at $615.0 million was $89.5 million (17.0%) higher than the pcp. Revenue was positively impacted by the acquisition of the Asian packaging operations of Closure Systems International (excluding Japan) and the Guangzhou China facility of Graham Packaging Company (the "Asian acquisition"), completed in the second half of FY2018, which contributed revenue of $79.6 million in the period. In addition, ECP Industries (acquired November 2018) contributed an incremental $2.8 million in revenue. Both acquisitions are performing in line with expectations.

Excluding acquisitions, revenue for the segment was $7.1 million (1.4%) higher than the pcp. Revenue benefitted from sell price increases to partly recover increased input costs but overall volumes were around 2% lower. The segment experienced weaker volumes into the agricultural sector due to drought conditions, and lower volumes into the dairy, food and beverage sector in Australia and New Zealand.

EBITDA for the half year of $74.3 million was $3.4 million (4.3%) lower than the pcp with the Asian acquisition and the acquisition of ECP Industries contributing $8.0 million. Excluding acquisitions, EBITDA was $11.4 million (14.7%) lower than the pcp, due mainly to higher energy costs and lags in the recovery of higher raw material costs. Earnings benefitted from the continued focus on operational excellence programs to offset the negative impact of lower net volumes.

EBIT for the segment of $45.8 million was $7.4 million (13.9%) lower than the pcp. EBIT margins were 2.7% lower at 7.4%, adversely impacted by higher input costs.

REVIEW OF OPERATIONS AND FINANCIAL PERFORMANCE

Materials Handling & Pooling

The Materials Handling and Pooling segment is a leading Australian supplier of polymer materials handling products and a leading supplier of custom moulded products for use in infrastructure and other projects. The business is also the largest supplier of returnable produce crate pooling services in Australia and New Zealand. From 31 October 2018 the segment also includes TIC Retail Accessories (TIC), a closed loop plastic garment hanger and accessories re-use business operating across several countries in Asia as well as in Australia. Materials Handling and Pooling contributed 14% of the Group's revenue in the first half of FY2019.

Half Year Ended 31 December $'000	Dec 2018	Dec 2017	Change %
Revenue[1]	**125,418**	108,779	15.3%
EBITDA[2]	**24,193**	23,216	4.2%
EBIT[3]	**16,780**	17,366	(3.4%)
EBIT Margin %	***13.4%***	*16.0%*	*(2.6%)*

Revenue for the Materials Handling and Pooling segment of $125.4 million for the first half was $16.6 million (15.3%) higher than the pcp. This included $17.9 million of revenue related to the acquisition of TIC. Excluding TIC, revenue was $1.3 million (1.2%) lower than the pcp. The TIC acquisition has performed slightly ahead of expectation for the first two months since acquisition.

The Australian crate pooling business, supporting fresh produce supply to Woolworths, is performing well and revenue benefitted from a full period of pooling volumes (business commissioned in August 2018) and sell price increases to recover costs.

Volumes into other sectors were down, due mainly to fewer available bin and infrastructure projects available in the period, and drought conditions impacting agricultural demand.

EBITDA for the segment of $24.2 million was $1.0 million (4.2%) ahead of the pcp. The result includes $4.5 million from TIC. Excluding TIC, EBITDA was $3.5 million lower than the pcp. Earnings were adversely affected by lower net volumes in the period, unfavourable product mix and higher energy costs.

EBIT for the half year of $16.8 million was $0.6 million (3.4%) lower than the pcp. The increased depreciation expense compared to the pcp related primarily to higher depreciation for the Australian crate pooling business (with a full six months of operation in the current period) and depreciation from the acquisition of TIC.

EBIT margins in the segment were 2.6% lower at 13.4%.

Contract Manufacturing Services

The Contract Manufacturing Services segment is a leading supplier of contract manufacturing services for the home, personal care and health and wellness categories in Australia. The business includes manufacturing capability for liquid, powder, aerosol and nutraceutical products. Contract Manufacturing Services contributed 21% of the Group's revenue in the first half of FY2019.

Half Year Ended 31 December $'000	Dec 2018	Dec 2017	Change %
Revenue[1]	**195,265**	189,478	3.1%
EBITDA[2]	**11,638**	19,825	(41.3%)
EBIT[3]	**6,924**	16,201	(57.3%)
EBIT Margin %	***3.5%***	*8.6%*	*(5.1%)*

Revenue for the Contract Manufacturing Services segment of $195.3 million was $5.8 million (3.1%) higher than the pcp. Higher volumes were delivered into the health and wellness sector. The personal care sector was also up, but the home care sector was lower, adversely impacted by weaker demand for pest control products following a dry start to the summer season.

EBITDA for the half year of $11.6 million was $8.2 million (41.3%) lower than the pcp. The benefit of favourable volumes was offset by lags in the recovery of significantly higher raw material prices in the first half, which were exacerbated by the decline in the Australian dollar relative to the US dollar in the period.

EBIT for the segment of $6.9 million was $9.3 million lower than the pcp, with higher depreciation following the commissioning of efficiency and capacity related asset programs.

EBIT margins for Contract Manufacturing Services were 5.1% lower than pcp at 3.5%.

REVIEW OF OPERATIONS AND FINANCIAL PERFORMANCE

Footnotes

(1) AASB15: Revenue from Contracts with Customers was adopted in the period on a modified retrospective basis. Refer to Note: 5.2 New Accounting Policies in the Half-Year Financial Report. The impact to revenue in the period has not been material.

In addition, this report includes certain non-IFRS financial information which have not been subject to review by the Company's external auditor. This information is used by Pact, the investment community and Pact's Australian peers with similar business portfolios. Pact uses this information for its internal management reporting as it better reflects what Pact considers to be its underlying performance.

(2) EBITDA refers to EBITDA before significant items and is a non-IFRS financial measure which is calculated as earnings before significant items, finance costs (net of interest revenue), tax, depreciation and amortisation.

(3) EBIT refers to EBIT before significant items and is a non-IFRS financial measure which is calculated as earnings before significant items, finance costs (net of interest revenue) and tax.

(4) NPAT refers to NPAT before significant items and is a non-IFRS financial measure which is calculated as net profit after tax before significant items.

(5) Gearing is a non-IFRS financial measures which is calculated as net debt divided by rolling 12 months EBITDA. Net debt is calculated as interest bearing liabilities less cash and cash equivalents

(6) Interest cover is a non-IFRS financial measures which is calculated as rolling 12 months EBITDA divided by rolling 12 months net interest expense.

(7) Net debt is a non-IFRS financial measure and is calculated as interest bearing liabilities less cash and cash equivalents

PACT GROUP

HALF-YEAR CONSOLIDATED FINANCIAL REPORT

For the period ended 31 December 2018

Pact Group Holdings Ltd
ABN: 55 145 989 644

HALF-YEAR FINANCIAL REPORT

Consolidated Half-Year Financial Report For the period ended 31 December 2018

Introduction

This is the Consolidated Half-Year Financial Report of Pact Group Holdings Ltd ("Pact" or the "Company") and its subsidiaries (together referred to as the "Group") including the Group's interest in associates and jointly controlled entities at the end of, or during the period ended 31 December 2018. This Consolidated Half-Year Financial Report was issued in accordance with a resolution of the Directors on 20 February 2019.

This Consolidated Half-Year Financial Report does not include all the notes of the type normally included in an Annual Financial Report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2018 and any public announcements made by Pact during the reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Contents

Consolidated Statement of Comprehensive Income
For the period ended 31 December 2018

$'000	Notes	Dec 2018	Dec 2017
Revenue	1.1	915,399	808,146
Raw materials and consumables used		(422,022)	(345,977)
Employee benefits expense		(217,392)	(199,564)
Occupancy, repair and maintenance, administration and selling expenses		(172,015)	(147,383)
Interest and other income		5,853	4,095
Other (losses) / gains	1.2	(39,531)	(5,953)
Depreciation and amortisation expense		(40,625)	(33,924)
Impairment expense	3.1, 3.2	(368,765)	-
Finance costs and loss on de-recognition of financial assets	4.1	(19,323)	(16,468)
Share of profit in associates		1,283	922
(Loss) / profit before income tax expense		(357,138)	63,894
Income tax benefit / (expense)	1.3	37,587	(19,766)
Net (loss) / profit for the period		(319,551)	44,128
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of defined benefit liability / (asset)		134	-
Items that will be reclassified subsequently to profit or loss			
Cash flow hedge (losses) / gains taken to equity		(1,821)	454
Foreign currency translation gains / (losses)		7,018	(5,175)
Income tax benefit / (expense) on items in other comprehensive income		551	(134)
Other comprehensive income / (loss) for the period, net of tax		5,882	(4,855)
Total comprehensive (loss) / income for the period		(313,669)	39,273
Attributable to:			
Equity holders of the parent entity		(313,669)	39,273
Total comprehensive (loss) / income for the Group		(313,669)	39,273
cents			
Basic earnings per share		(95.3)	14.5
Diluted earnings per share		(95.3)	14.4

The Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position
As at 31 December 2018

$'000	Notes	Dec 2018	June 2018
CURRENT ASSETS			
Cash and cash equivalents		58,179	67,980
Trade and other receivables		213,140	161,734
Inventories		231,108	210,956
Contract assets		8,337	-
Other current financial assets		1,079	2,683
Prepayments		18,926	10,263
TOTAL CURRENT ASSETS		530,769	453,616
NON-CURRENT ASSETS			
Trade and other receivables		1,061	2,570
Prepayments		4,524	4,284
Property, plant and equipment	3.2	645,348	755,413
Investments in associates and joint ventures		21,894	19,507
Intangible assets	3.1	478,203	584,193
Deferred tax assets		40,826	31,004
TOTAL NON-CURRENT ASSETS		1,191,856	1,396,971
TOTAL ASSETS		1,722,625	1,850,587
CURRENT LIABILITIES			
Trade and other payables		465,268	437,259
Employee benefits provisions		38,253	36,932
Other provisions		28,868	4,424
Other current financial liabilities		513	79
TOTAL CURRENT LIABILITIES		532,902	478,694
NON-CURRENT LIABILITIES			
Trade and other payables		37,312	17,594
Employee benefits provisions		7,644	7,549
Other provisions		30,546	28,817
Interest-bearing loans and borrowings	4.1	796,149	667,253
Other non-current financial liabilities		1,734	616
Deferred tax liabilities	1.3	24,237	66,864
TOTAL NON-CURRENT LIABILITIES		897,622	788,693
TOTAL LIABILITIES		1,430,524	1,267,387
NET ASSETS		292,101	583,200
EQUITY			
Contributed equity	4.2	1,750,476	1,690,476
Reserves		(897,585)	(902,984)
Retained earnings		(560,790)	(204,292)
TOTAL EQUITY		292,101	583,200

The Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity
For the period ended 31 December 2018

	Attributable to equity holders of the Parent entity						
$'000	Contributed equity	Common control reserve	Cash flow hedge reserve	Foreign currency translation reserve	Share based payments reserve	Retained Earnings	Total equity
Half-Year ended 31 December 2018							
As at 1 July 2018	**1,690,476**	**(928,385)**	**111**	**22,965**	**2,325**	**(204,292)**	**583,200**
Adjustment on adoption of AASB 15	-	-	-	-	-	1,155	1,155
Restated balance as at 1 July 2018	**1,690,476**	**(928,385)**	**111**	**22,965**	**2,325**	**(203,137)**	**584,355**
Loss for the period	-	-	-	-	-	(319,551)	(319,551)
Other comprehensive income / (loss)	-	-	(1,270)	7,018	-	134	5,882
Total comprehensive income	-	-	(1,270)	7,018	-	(319,417)	(313,669)
Issuance of share capital	60,000	-	-	-	-	-	60,000
Dividends paid	-	-	-	-	-	(38,236)	(38,236)
Share based payments expense	-	-	-	-	(349)	-	(349)
Transactions with owners in their capacity as owners	-	-	-	-	(349)	(38,236)	(38,585)
Balance as at 31 December 2018	**1,750,476**	**(928,385)**	**(1,159)**	**29,983**	**1,976**	**(560,790)**	**292,101**
Half-Year ended 31 December 2017							
As at 1 July 2017	**1,517,097**	**(928,385)**	**(1,490)**	**23,043**	**1,100**	**(206,257)**	**405,108**
Profit for the period	-	-	-	-	-	44,128	44,128
Other comprehensive income / (loss)	-	-	320	(5,175)	-	-	(4,855)
Total comprehensive income	-	-	320	(5,175)	-	44,128	39,273
Issuance of share capital	175,559	-	-	-	-	-	175,559
Transaction costs taken to equity	(2,986)	-	-	-	-	-	(2,986)
Tax benefit on transaction costs	806	-	-	-	-	-	806
Total equity transactions	173,379	-	-	-	-	-	173,379
Dividends paid	-	-	-	-	-	(34,412)	(34,412)
Share based payments expense	-	-	-	-	613	-	613
Transactions with owners in their capacity as owners	-	-	-	-	613	(34,412)	(33,799)
Balance as at 31 December 2017	**1,690,476**	**(928,385)**	**(1,170)**	**17,868**	**1,713**	**(196,541)**	**583,961**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows
For the period ended 31 December 2018

$'000	Notes	Dec 2018	Dec 2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		580,936	421,370
Receipts from securitisation program		425,751	455,457
Payments to suppliers and employees		(976,158)	(813,235)
Income tax paid		(22,832)	(19,844)
Interest received		94	66
Proceeds from securitisation of trade debtors		13,620	1,181
Borrowing, trade debtor securitisation and other finance costs paid		(18,959)	(15,068)
Net cash flows provided by operating activities		2,452	29,927
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(36,919)	(45,260)
Purchase of businesses and subsidiaries, net of cash acquired		(57,934)	(3,467)
Payments for investment in associates and joint ventures		-	(1,055)
Proceeds from sale of property, plant and equipment		34	1,760
Sundry items		522	-
Net cash flows used in investing activities		(94,297)	(48,022)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from issuance of shares		-	172,573
Proceeds from borrowings		251,258	143,375
Repayment of borrowings		(132,110)	(255,646)
Payment of dividend		(38,236)	(34,412)
Net cash flows provided by financing activities		80,912	25,890
Net (decrease) / increase in cash and cash equivalents		(10,933)	7,795
Cash and cash equivalents at the beginning of the period		67,980	39,592
Effect of exchange rate changes on cash and cash equivalents		1,132	(352)
Cash and cash equivalents at the end of the period		58,179	47,035

The Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Section 1 – Our Performance

1.1 GROUP RESULTS

$'000	Packaging and Sustainability	Contract Manufacturing Services	Materials Handling and Pooling	Eliminations	Total
Half-year ended 31 December 2018					
Revenue	**615,009**	**195,265**	**125,418**	**(20,293)**	**915,399**
EBITDA(1)	**74,305**	**11,638**	**24,193**	**-**	**110,136**
EBIT(2)	**45,807**	**6,924**	**16,780**	**-**	**69,511**

$'000	Packaging and Sustainability	Contract Manufacturing Services	Materials Handling and Pooling	Eliminations	Total
Half-year ended 31 December 2017					
Revenue	525,461	189,478	108,779	(15,572)	**808,146**
EBITDA(1)	77,672	19,825	23,216	-	**120,713**
EBIT(2)	53,222	16,201	17,366	-	**86,789**

(1) EBITDA - Earnings before finance costs and loss on de-recognition of financial assets, net of interest income, tax, depreciation and amortisation and significant items.
(2) EBIT - Earnings before finance costs and loss on de-recognition of financial assets, net of interest income, tax and significant items.

Pact's chief operating decision maker is the Executive Chairman, who has a focus on the financial measures reported in the above table. As required by AASB 8: *Operating Segments*, the results above have been reported on a consistent basis to that supplied to the Executive Chairman.

The Group has adopted a new operating model in the current year. The Executive Chairman monitors results by reviewing the reportable segments based on a product perspective as outlined in the table below. The resource allocation to each segment, and the aggregation of reportable segments is based on that product portfolio. Prior year comparatives have been restated on a consistent basis.

Reportable segments	Products/services	Countries of Operation
• Packaging and Sustainability	• Manufacture and supply of rigid plastic and metal packaging and associated services • Recycling and sustainability services	• Australia • New Zealand • China • Indonesia • Philippines • Singapore • Thailand • Hong Kong • South Korea • Nepal • India
• Contract Manufacturing Services	• Contract manufacturing and packing services	• Australia
• Materials Handling and Pooling	• Manufacture and supply of materials handling products and the provision of associated services • Pooling services	• Australia • New Zealand • China • Hong Kong • India • Bangladesh • United Kingdom

1.1 GROUP RESULTS (CONTINUED)

Net (loss) / profit after tax

The reconciliation of EBITDA and EBIT shown above and the net (loss) / profit after tax disclosed in the Consolidated Statement of Comprehensive Income is as follows:

$'000	Notes	Dec 2018	Dec 2017
EBITDA		**110,136**	**120,713**
Depreciation and Amortisation		**(40,625)**	**(33,924)**
EBIT		**69,511**	**86,789**
Significant items			
Acquisition costs[1]		**(2,140)**	**(581)**
Deferred settlement costs (earn-out)[2]		**-**	**(5,119)**
Inventory write downs and disposal costs		**(2,630)**	-
Impairment expenses	3.1, 3.2		
• Tangible asset write downs		**(136,330)**	**-**
• Intangible assets		**(232,435)**	-
Business Restructuring Program[3]			
• restructuring costs		**(34,179)**	**(1,023)**
Total significant items		**(407,714)**	**(6,723)**
EBIT after significant items		**(338,203)**	**80,066**
Finance costs[4]		**(18,935)**	**(16,172)**
Net (loss) / profit before tax		**(357,138)**	**63,894**
Income tax benefit / (expense)		**37,587**	**(19,766)**
Net (loss) / profit after tax		**(319,551)**	**44,128**

(1) Acquisition costs includes professional fees, stamp duty and all other costs associated with business acquisitions.
(2) Adjustments to contingent consideration provisions raised in relation to acquisitions made in the year ended 30 June 2017.
(3) The business restructuring programs relate to the optimisation of business facilities across the Group.
(4) Net finance costs includes Interest income of $388,000 (Dec 2017: $296,000).

1.2 OTHER (LOSSES) / GAINS

The amounts disclosed in the table below are the amounts recognised in the Consolidated Statement of Comprehensive Income:

$'000	Dec 2018	Dec 2017
Total Significant items (excluding impairment expense)[1]	**(38,949)**	**(6,723)**
Other (losses) / gains		
Unrealised gains on revaluation of foreign exchange forward contracts	**176**	**106**
Realised net foreign exchange (losses) / gains	**(751)**	**415**
(Loss) / gain on sale of property, plant and equipment	**(7)**	**249**
Total other (losses) / gains	**(582)**	**770**
Total other losses	**(39,531)**	**(5,953)**

(1) This balance includes acquisition costs, inventory write downs and disposal costs, and restructuring costs as disclosed in Note 1.1.

1.3 TAXATION

Included in income tax expense is a tax benefit on significant items of $52.4 million for the six months ended 31 December 2018 (Dec 2017: $0.3 million). The movement in the deferred tax liability during the period relates mainly to the impairment of fixed assets.

1.4 DIVIDENDS

$'000	Dec 2018	Dec 2017
Dividends paid during the financial period	**38,236**	**34,412**

Dividends not recognised at 31 December 2018

Since the end of the period the Directors have determined there will be no interim dividend during the current year (Dec 2017: 11.5 cents per share).		
Based on the number of shares on issue at reporting date, the aggregate amount of the proposed dividend would be:	**-**	**38,236**

There is a dividend reinvestment plan (DRP), however, the Directors have determined not to activate the DRP at this time.

1.5 REVENUE FROM CONTRACTS WITH CUSTOMERS

The Group has adopted AASB 15: *Revenue from Contracts with Customers* from 1 July 2018. AASB 15 replaces all revenue recognition requirements under AASB 111: *Construction Contracts* and AASB 118: *Revenue*, and it applies to all revenue arising from contracts with customers, unless those contracts or transactions are captured in the scope of other standards (refer Note 5.2 New accounting policies).

Disaggregation of revenue from contracts with customers

$'000	Packaging and Sustainability(1)	Contract Manufacturing Services(2)	Materials Handling and Pooling	Eliminations	Total
Half-year ended 31 December 2018					
Australia	344,444	195,224	78,363	-	618,031
New Zealand	152,307	-	-	-	152,307
Asia	99,444	-	9,167	-	108,611
Revenue from contracts with customers	**596,195**	**195,224**	**87,530**	**-**	**878,949**
Revenue from asset hire services(3)	-	-	36,450	-	36,450
Inter-segment revenue	18,814	41	1,438	(20,293)	-
Revenue	**615,009**	**195,265**	**125,418**	**(20,293)**	**915,399**

(1) 15% of total revenue for Packaging and Sustainability is recognised over time, while 85% is recognised at a point in time.

(2) 3% of total revenue for Contract Manufacturing Services is recognised over time, while 97% is recognised at a point in time.

(3) Revenue from asset hire services is accounted for under AASB 117: *Leases*.

Section 2 – Our Operational Footprint

2.1 BUSINESSES ACQUIRED

Summary of acquisitions for the period ended 31 December 2018:

$'000	TIC Retail Accessories
Provisional consideration paid	**160,794**
Comprising of:	
• Cash consideration paid	**28,333**
• Shares issued on consideration	**60,000**
• Contingent consideration	**30,000**
• Deferred consideration	**42,461**
• Assets	
▫ Cash	**2,814**
▫ Trade and other receivables	**19,662**
▫ Inventory	**16,501**
▫ Property, plant & equipment	**8,571**
▫ Intangibles	**1,300**
▫ Other assets	**3,440**
• Liabilities	
▫ Trade payables and other provisions	**(18,340)**
▫ Employee benefits provisions	**(780)**
▫ Deferred tax liability	**(390)**
Fair value of identifiable net assets	**32,778**
Provisional goodwill arising on acquisition	**128,016**

On 31 October 2018 the Group purchased 100% of the net assets of TIC Retail Accessories ('TIC'), for a provisional consideration of $160.8 million. TIC is a closed loop plastic garment hanger and accessories re-use business. The acquisition of TIC expands the Group's closed loop pooling platform and provides the opportunity for future growth in this market.

Provisional goodwill of $128.0 million has arisen as a result of the purchase consideration exceeding the fair value of identifiable net assets acquired, and represents the value attributed to established networks and TIC's reputation for quality and service. Goodwill is allocated to the Materials Handling and Pooling reportable segment. This goodwill will not be deductible for tax purposes. The assessment of separately identifiable intangible assets is ongoing and is expected to be completed by 31 October 2019.

The fair value of TIC's trade and other receivables acquired amounted to $19.7 million. It is expected that the stated fair value amount will be collected.

From the date of acquisition to 31 December 2018 TIC contributed $18.3 million of revenue and $4.3 million to net profit before tax of the Group. If the combination had taken place at 1 July 2018, contributions to revenue for the period ended 31 December 2018 would have been $36.7 million higher and the contribution to profit before tax for the Group would have been $6.2 million higher.

The fair value contingent consideration is dependent on EBITDA hurdles over the following two years ending 31 October 2020, with a range of outcomes from $0-$30 million. The contingent consideration represents managements best estimate.

Completion of prior year acquisition accounting

During the period a total amount of $32.4 million was paid in relation to the Pascoe's Group and CSI International and Graham Packaging Group acquisitions made in prior years.

2.2 ASSOCIATES AND JOINT VENTURES

At 31 December 2018 the Group held the following investments in associates:

Name of associate	Pact's Ownership interest
Changzhou Viscount Oriental Mould Co Ltd	**40%**
Spraypac Products (NZ) Ltd	**50%**
Weener Plastop Asia Inc	**50%**
Gempack Weener	**50%**
Weener Plastop Indonesia Inc	**50%**

There have been no material changes in Investments in Associates in the six months ended 31 December 2018. The results of the above operations are not material to the Group.

Section 3 – Intangible Assets

3.1 INTANGIBLE ASSETS

Intangible assets are comprised of the following:

$'000	Customer contracts[(1)]	Other intangibles[(1)]	Goodwill	Total
Half-year ended 31 December 2018				
At 1 July 2018 net of accumulated amortisation and impairment	**23,070**	**9,843**	**551,280**	**584,193**
Additions	**-**	**2,064**	**-**	**2,064**
Intangible asset arising on acquisition[(2)]	**-**	**-**	**120,226**	**120,226**
Impairment expense	**-**	**(1,303)**	**(231,132)**	**(232,435)**
Foreign exchange translation movements	**-**	**206**	**5,956**	**6,162**
Amortisation	**(1,405)**	**(602)**	**-**	**(2,007)**
At 31 December 2018 net of accumulated amortisation and impairment	**21,665**	**10,208**	**446,330**	**478,203**
Represented by:				
At cost	**28,106**	**12,893**	**446,330**	**487,329**
Accumulated amortisation and impairment	**(6,441)**	**(2,685)**	**-**	**(9,126)**

(1) Customer contracts are recognised at cost and amortised over their useful lives. Other intangibles includes a balance of $1.8 million which has an indefinite life and is not amortised, all other intangibles are recognised at cost and amortised over their useful lives.

(2) A reduction of $7.8 million goodwill has been recognised in the period in relation to the CSI International and Graham Packaging Group (Asia acquisition), which occurred in the prior year.

$'000	Customer contracts	Other intangibles	Goodwill	Total
Year ended 30 June 2018				
At 1 July 2017 net of accumulated amortisation and impairment	25,881	10,395	511,057	547,333
Additions	-	145	-	145
Intangible asset arising on acquisition	-	-	46,392	46,392
Foreign exchange translation movements	-	(4)	(6,169)	(6,173)
Amortisation	(2,811)	(693)	-	(3,504)
At 30 June 2018 net of accumulated amortisation and impairment	**23,070**	**9,843**	**551,280**	**584,193**
Represented by:				
At cost	28,106	12,684	551,280	592,070
Accumulated amortisation and impairment	(5,036)	(2,841)	-	(7,877)

$'000	Dec 2018
Goodwill and intangible assets with indefinite lives are allocated to the following group of CGU's and segments[(1)]:	
Packaging and Sustainability	**257,614**
Contract Manufacturing Services	**21,031**
Materials Handling and Pooling	**169,447**
	448,092

The table below shows the allocation of goodwill and intangible assets to CGU's and segments in the comparative period, prior to the change in operating segments for the current year:

$'000	Jun 2018
Goodwill and intangible assets with indefinite lives are allocated to the following group of CGU's and segments[(1)]:	
Pact Australia	**310,834**
Pact International	**242,208**
	553,042

(1) This is the lowest level where goodwill is monitored.

3.1 INTANGIBLE ASSETS (CONTINUED)

Impairment

During the period the Group changed operating segments (refer Note 1.1). Operating segments represents the group of Cash Generating Units (CGU) at which goodwill is allocated and monitored.

Australian Accounting Standards require that when operating segments containing goodwill are reorganised, an entity must undertake detailed impairment testing immediately prior to and post the reorganisation. When there are indicators of impairment of fixed assets contained within the CGUs in the operating segments, an entity must also complete detailed impairment testing of fixed assets prior to impairment testing for goodwill (refer Note 3.2 for the impairment of fixed assets).

Immediately prior to the reallocation of goodwill, impairment testing was performed on the previous operating segments, being Pact Australia and Pact International. The calculation of value in use for both Pact Australia and Pact International are sensitive to the following assumptions:

- **Gross margins and raw material price movement** – Gross margins reflect current gross margins adjusted for any expected (and likely) efficiency improvements or price changes.
- **Cash Flows** – Cash flows are forecast for a period of five years. Cash flows beyond the one year period are extrapolated using growth rates which are a combination of volume growth and price growth. Rates are based on published industry research and economic forecasts relating to GDP growth rates.
- **Discount rates** – The discount rates are based on an external assessment of the Group's pre-tax weighted average cost of capital in conjunction with risk factors specific to the countries in which the CGUs within the operating segments operate. Foreign currency cash flows are discounted using the functional currency of the CGUs within the operating segments, and then translated to Australian Dollars using the closing exchange rate.

The discount rates and growth rates applied to cashflow projections are detailed below.

	Pact Australia		Pact International	
	Dec 2018	Jun 2018	Dec 2018	Jun 2018
Discount rate (pre-tax)	15.0%-18.6%	12.0%	9.8%-20.5%	9.8%-20.5%
Terminal growth rate	1.0%	2.2%	1.2%-7.7%	2.1%-7.7%

Impairment testing identified the carrying value of goodwill within Pact Australia exceeded the recoverable amount. A $231.1 million impairment expense was recognised in the current period. The decrease in the recoverable amount reflects challenging trading conditions and a moderated long-term outlook.

During the half-year, goodwill (net of the impairment) was allocated to the new operating segments on a relative fair value basis.

Immediately after the reallocation of goodwill, impairment testing was performed on the new operating segments, being Packaging and Sustainability, Contract Manufacturing Services and Materials Handling and Pooling. The discount rates and growth rates applied to cashflow projections are detailed below.

	Packaging and Sustainability	Contract Manufacturing Services	Materials Handling and Pooling
Discount rate (pre-tax)	9.8%-20.5%	15.0%	11.8%-15.0%
Terminal growth rate	1.0%-7.7%	1.0%	1.0%-1.2%

The recoverable amount of Packaging and Sustainability was 1.04 times the carrying amount of $877.6 million, including non-current assets and net working capital. To illustrate sensitivity to these assumptions in the table above, if they were to differ such that the expected growth rates for Packaging and Sustainability were to decrease by 0.4% or discount rates increase by 0.3%, across the forecast period, without implementation of mitigation plans, the recoverable amount would be equal to the carrying amount.

The recoverable amount of Contract Manufacturing Services was 1.06 times the carrying amount of $165.8 million, including non-current assets and net working capital. To illustrate sensitivity to these assumptions in the table above, if they were to differ such that the expected growth rates for Contract Manufacturing were to decrease by 1.3% or discount rates increase by 0.6%, across the forecast period, without implementation of mitigation plans, the recoverable amount would be equal to the carrying amount.

No reasonable possible change in assumptions used in the determination of recoverable amounts for Materials Handling would result in an impairment.

3.2 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment

The key movements in property, plant and equipment over the year were:

$'000	Dec 2018	June 2018
Opening balance net of accumulated depreciation and impairment	755,413	677,132
Additions	33,671	79,489
Acquisition of subsidiaries and businesses	25,313	76,139
Disposals	(41)	(4,978)
Asset write downs	(136,330)	(1,551)
Foreign exchange translation movement	7,810	(1,577)
Depreciation charge for the year [1]	(40,488)	(69,241)
Closing balance net of accumulated depreciation and impairment	645,348	755,413
Represented by:		
• At cost	1,319,562	1,504,598
• Accumulated depreciation and impairment	(674,214)	(749,185)

[1] Included in the depreciation charge for the year is $1.9 million relating to the business restructuring program (refer Note 1.1).

The impairment loss of $136.3 million represented the write-down of certain property, plant and equipment in the Pact Australia segment. The recoverable amount as at 31 December 2018 was based on value in use and was determined at the level of the CGU. The CGU consisted of the Australian packaging assets. In determining value in use, cashflows were discounted at a rate of 14.3% on a pre-tax basis.

The decrease in the recoverable amount reflects challenging trading conditions and a moderated long-term outlook. The recoverable amount of Australian packaging assets is $305.8 million.

Section 4 – Capital Structure

4.1 NET DEBT

Debt profile

NON-CURRENT

Pact has the following non-current interest-bearing loans and borrowings at 31 December:

$'000	Dec 2018	June 2018
Syndicated Facility Agreements[(1)]	799,952	671,279
Capitalised borrowing costs	(3,803)	(4,026)
Total non-current interest-bearing loans and borrowings	**796,149**	**667,253**

(1) The Group has several revolving debt facilities and a working capital facility with total commitments of $1,009.1 million, of which $209.2 million is undrawn at 31 December 2018. The facilities are spread across multiple maturities, with the working capital facility revolving with an annual review. The debt facilities include a $382.8 million loan facility maturing in July 2020, a $300.6 million loan facility maturing in March 2023, a $184.2 million term loan facility maturing in January 2023 and a term loan facility for $120.0 million maturing in November 2024.

The Group uses interest rate swaps to manage interest rate risk.

(a) Fair values

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

Fair values of the Group's interest-bearing loans and borrowings are determined by using a discounted cash flow method, applying a discount rate that reflects the issuer's borrowing rate at the end of the reporting period. As the underlying debt has a floating interest rate (excluding the impact of the separate interest rate swaps), the Group's own performance risk at 31 December 2018 was assessed to be insignificant.

The computation of the fair value of borrowings is derived using significant observable inputs (Fair Value Hierarchy Level 2).

The carrying amount and fair value of the Group's borrowings are as follows:

	31 December 2018 $'000's		30 June 2018 $'000's	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Syndicated Facility Agreements	799,952	799,952	671,279	671,279
Total borrowings	**799,952**	**799,952**	**671,279**	**671,279**

(b) Defaults and breaches

During the current period, there were no defaults or breaches on any of the loan terms and conditions.

(c) Finance costs

Pact has incurred the following finance costs during the period ended 31 December:

$'000	Dec 2018	Dec 2017
Interest expense	15,724	13,188
Borrowing costs amortisation	781	506
Amortisation of securitisation program	137	158
Sundry items	600	856
Total finance costs	**17,242**	**14,708**
Loss on de-recognition of financial assets	2,081	1,760
Total finance costs & loss on de-recognition of financial assets	**19,323**	**16,468**

Finance costs are recognised as an expense when incurred.

4.2 CONTRIBUTED EQUITY

Terms, conditions and movements in contributed equity

Ordinary shares are classified as equity. Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held.

	Dec 2018		June 2018	
	Number of shares	$'000's	Number of shares	$'000's
Movements in contributed equity				
Ordinary shares:				
Beginning of the year	**332,483,890**	**1,690,476**	299,234,086	1,517,097
Issued during the period(1)(2)	**11,509,705**	**60,000**	33,249,804	175,559
Transaction costs taken to equity	**-**	**-**	-	(2,986)
Tax benefit on transaction costs	**-**	**-**	-	806
End of the period	**343,993,595**	**1,750,476**	332,483,890	1,690,476

Shares issued during the period include:

(1) Shares issued as consideration

On 14 November 2018, 11,300,500 shares in the Company were issued for $5.31 as consideration for the acquisition of TIC Retail Accessories (refer Note 2.1). This includes 3,766,834 shares that are divided into 4 tranches. Each of these tranches are subject to contractual trading restrictions from the date of issue to the dates as follows; 31 January 2019, 30 April 2019, 31 July 2019 and 31 October 2019.

The remaining 7,533,666 shares are subject to customary voluntary escrow restrictions across 4 tranches, and are required to be held in escrow from the date of issue to the dates as follows; 31 January 2020, 30 April 2020, 31 July 2020 and 31 October 2020.

(2) Employee share issue

On 3 December 2018, 209,205 shares were issued to the former CEO, Malcolm Bundey, as part of his initial employment arrangements. The associated share based reserve has not been transferred out to contributed equity.

Details of the movement in shares issued during the comparative period are disclosed in the 30 June 2018 Pact Group Annual Report.

Section 5 – Other Disclosures

5.1 BASIS OF PREPARATION

Basis of preparation and compliance

This Consolidated Half-Year Financial Report:

- Comprises the financial statements of Pact Group Holdings Ltd, being the ultimate parent entity, and its controlled entities.
- Is a general purpose financial report.
- Has been prepared in accordance and complies with the requirements of the *Corporations Act 2001* and AASB 134: *Interim Financial Reporting*.
- Has revenues, expenses and assets recognised net of the amount of GST except where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case GST is recognised as part of the acquisition of the asset or as part of the expense item to which it relates. The net amount of GST recoverable from or payable to the taxation authority is included as part of receivables or payables in the Consolidated Statement of Financial Position.
- Is presented in Australian dollars with all values rounded to the nearest $1,000, unless otherwise stated, in accordance with the ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 dated 1 April 2016.
- Has the same accounting policies and methods of computation as were applied in the most recent annual financial statements, other than those amended below.
- Has all intercompany balances, transactions, income and expenses and profit and losses resulting from intra-group transactions eliminated in full.
- The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies.

The Directors have assessed that due to the Group's access to undrawn facilities and forecast positive cash flows into the future they will be able to pay their debts as and when they fall due, and therefore it is appropriate the financial statements are prepared on a going concern basis.

The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

New accounting standards and interpretations

The table below includes standards that were adopted during the period:

New Standards, Interpretations or Amendments	Pact financial year that it is adopted	Impact on Pact financial results
AASB 15: *Revenue from Contracts with Customers*	Adopted on 1 July 2018	AASB 15: *Revenue from Contracts with Customers* replaces AASB 118: *Revenue and AASB 111: Construction Contracts.* The Group adopted AASB 15 based on a modified retrospective basis effective from 1 July 2018. The Group has assessed where branded goods are manufactured for customers with no alternate use, revenue is recognised using an overtime revenue model. As such, an adjustment of $1,155,000 to opening retained earnings has been recognised on adoption of AASB 15.
AASB 9: *Financial Instruments*	Adopted on 1 July 2018	AASB 9: *Financial Instruments* replaces AASB 139: *Financial Instruments*: Recognition and Measurement and introduces a new approach for classification and measurement of financial instruments, impairment of financial assets and hedge accounting. The impact to the Group results on the adoption of AASB 9 is immaterial.

There are also a number of Australian Standards and Interpretations that have been issued but are not yet effective and have not been adopted by the Group at 31 December 2018. The following table includes those standards that have been identified as those which may impact the Group in the period of initial application:

New Standards, Interpretations or Amendments	Pact financial year that it is effective	Impact on Pact financial results
AASB 16: *Leases*(1)	Commencing 1 July 2019	The Group has completed a high-level impact assessment, and an internal project team supported by subject matter specialists have developed a implementation plan. The decision whether to apply the standard using either a full retrospective or a modified retrospective approach and the implementation changes to processes, systems and controls will be determined during the year ended 30 June 2019.

(1) Including the associated amendments issued by the AASB that would need to be adopted upon adopting this standard.

Comparatives

Comparative figures can be adjusted to conform to changes in presentation for the current financial period where required by accounting standards or as a result of changes in accounting policy.

Where necessary, comparatives have been reclassified and repositioned for consistency with current period disclosure. No material reclassifications have been made to prior period disclosures.

5.2 NEW ACCOUNTING POLICIES

AASB 15: *Revenue from Contracts with Customers*

The Group has adopted AASB 15 using a modified retrospective approach. The Group did not apply any of the practical expedients available on transition. A cumulative catch-up adjustment relating to the transition to AASB 15 of $1.1 million was recognised as an adjustment to opening retained earnings on 1 July 2018. The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled to in exchange for those goods and services.

A key judgement applied by management is whether the goods or products manufactured have an alternate use to Pact, including whether these goods or products can be repurposed and sold without significant economic loss to the Group.

Pact recognises revenue on the following basis:

(a) Delivery of goods or products

Where the goods or products are not branded and can be sold to more than one specific customer, the performance obligation is the delivery of finished goods or product to the customer. The performance obligation is satisfied when control of the goods or products has transferred to the customer.

(b) Manufacture of goods or products

Where the goods or products are manufactured for a specific customer which have no alternate use and at all times throughout the contract Pact has the enforceable right to payment for performance completed to date, a performance obligation is the service of manufacturing the specific goods or products. This performance obligation is satisfied as the goods and products are manufactured. An output method has been adopted to recognise revenue for performance obligations satisfied over time. This method reflects Pact's short manufacturing period.

In addition, Pact has obligations to store and deliver manufactured goods or products. These obligations are satisfied as the goods or products are stored (on an over time basis) and when and as delivery occurs.

Contract assets are recognised for the manufacture and storage of goods or products as the performance obligations are satisfied. Upon completion of delivery of the goods or products and acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables.

The Group allocates the transaction price to each performance obligation on a stand-alone selling price basis. The stand-alone selling price of the products is based on list prices or a cost plus margin approach, which is determined by the Group's expertise in the market and also taking into consideration the length and size of contracts.

Some contracts for sale of goods have variable consideration including items such as volume rebates. Variable consideration is estimated at contract inception using the expected value method based on forecast volumes and is subject to the constraint on estimates. This estimate is reassessed at each reporting date.

AASB 9: *Financial Instruments*

The new accounting standard AASB 9 *Financial Instruments* became effective for the Group on 1 July 2018. The Group adopted AASB 9 retrospectively except for hedge accounting which has been applied prospectively.

Classification and Measurement

(a) Financial Assets

AASB 9 classifies financial assets based on an entity's business model for managing the financial assets (whether they are held to collect or held to sell) and the contractual terms of the cash flows (whether the contractual cash flows to be received relate only to principal and interest or contain other features). The changes in classification of the Group's financial assets under AASB 9 have not materially impacted their carrying values.

Under AASB 139, all trade and other receivables were subsequently measured at amortised cost. Derivatives were recognised at fair value through profit and loss, except for designated and effective hedging instruments.

Under AASB 9, unsecuritised trade receivables and other receivables are subsequently measured at amortised cost. Trade receivables to be sold into the securitisation program is subsequently measured at fair value through profit or loss. Derivative assets are subsequently measured at fair value.

(b) Financial Liabilities

The requirements for the Group's financial liabilities under AASB 9 remain largely the same as AASB 139. Financial liabilities are classified at amortised cost or at fair value through profit and loss.

Under AASB 9, the Group's trade and other payables and interest-bearing loans and borrowings are subsequently measured at amortised cost. Derivative liabilities are subsequently measured at fair value.

(c) Impairment

AASB 9 replaces the 'incurred loss' impairment model of AASB 139 with a new 'expected credit loss' (ECL) impairment model. The objective of the ECL model is to recognise debtor provisions on a forward-looking basis, rather than when there is historical evidence of an impairment occurring.

The Group assessed that the impact of adopting the ECL approach to impairment was not material.

The Group assess the ECLs on trade and other receivables (other than those subsequently measured at fair value) and contract assets. The Group has applied the simplified approach to calculating ECLs which requires the lifetime ECLs to be recognised from initial recognition. Lifetime ECLs represent ECLs that arise from all possible default events over the expected life of the financial asset and are a probability weighted estimate of a range of possible outcomes. To calculate ECLs the Group utilises a provision matrix which incorporates historical debt write off information as well as considering forward indicators. Individual debts that are known to be uncollectible are written off when identified.

(d) Hedge accounting

The Group applied hedge accounting prospectively. At the date of the initial application, all the Group's existing hedging relationships were eligible to be treated as continuing hedging relationships. Consistent with prior periods, the Group has continued to designate the change in fair value of the derivatives in the Group's cash flow hedge relationships to other comprehensive income and, as such, the adoption of the hedge accounting requirements of AASB 9 had no significant impact on the Group's financial statements.

5.3 SHARE BASED PAYMENTS

Long term incentive plan (LTIP)

Under the 2019 LTIP scheme 354,742 performance rights were granted to senior executives. These Performance rights have performance hurdles and vesting conditions consistent with those outlined on page 42 in the 2018 Annual Report. The rights were independently valued to establish the fair value in accordance with AASB 2: *Share Based Payments*. The fair value of each right at the valuation date of 14 November 2018 is $0.76. The share based payments expense in relation to the senior executives recognised in the current period was $167,000 (Dec 2017: $122,000).

An expense of $655,000 recognised in prior periods was reversed during the current period due to the lapsing of performance rights following the resignation of the former CEO (Dec 2017: $324,000 expense).

The key assumptions in the independent valuation in relation to 2019 LTIP were as follows:

Share price at valuation date	**$3.25**
Annualised volatility	**30.0%**
Annual dividend yield	**5.5%**
Risk free rate	**2.1%**
Expected life of performance right	**36 months**
Model used	**Monte Carlo Simulation Model**

Initial share grant

At the Annual General Meeting on 16 November 2016, a resolution was approved for a grant of 209,205 performance rights in relation to the initial share grant to the former CEO, Mr Malcolm Bundey. The shares were held in escrow until 1 December 2018, and were issued to Mr Bundey on 3 December 2018.

The share based payments expense in relation to the initial share grant recognised in the current period was $139,000 (Dec 2017: $166,000).

5.4 RELATED PARTY DISCLOSURES

The following table provides the total amount of transactions with related parties for the period ended 31 December 2018:

$'000's		Sales to related parties	Purchases from related parties	Other (income) / expense with related parties	Amounts (owed to) / receivable from related parties
Related parties – director's interests[(1)]					
	Dec 2018	**7,259**	**6,457**	**190**	**1,193**
	Dec 2017	**6,070**	**9,947**	**115**	**527**

(1) Related parties – director's interests includes the following group of entities: P'Auer Pty Ltd, Pro-Pac Packaging Limited, Centralbridge Pty Ltd (as trustee for the Centralbridge Unit Trust), Centralbridge Two Pty Ltd, Centralbridge (NZ) Limited, Albury Property Holdings Pty Ltd, Green's General Foods Pty Ltd and Remedy Kombucha Pty Ltd.

P'Auer Pty Ltd (P'Auer)

P'Auer, an entity controlled by Mr Raphael Geminder (the Executive Chairman of Pact), has a supply agreement to provide label products to Pact. Pact has a Transitional Services and Support Agreement with P'Auer to provide support services. Agreements are on arm's length terms. In addition, P'Auer provides Pact with periodic warehousing services.

Pro-Pac Packaging Limited (Pro-Pac)

Pro-Pac, an entity for which Mr Raphael Geminder owns approximately 47.9% (June 2018: 40.0%), is an exclusive supplier of raw materials such as flexible film packaging, flexible plastic bags and tapes to Pact. The agreement was extended in early 2017 through to 31 December 2021. Total value under this arrangement is approximately $2.1 million for the six months ended 31 December 2018 (Dec 2017: $2.4 million). The supply arrangement is at arm's length terms.

Property leases with related parties

The Group leased 13 properties (10 in Australia and 3 in New Zealand) from Centralbridge Pty Ltd (as trustee for the Centralbridge Unit Trust), Centralbridge Two Pty Ltd, Centralbridge (NZ) Limited and Albury Property Holdings Pty Ltd ("Centralbridge Entities"), which are each controlled by entities associated with Mr Raphael Geminder and are therefore related parties of the Group ("Centralbridge Leases"). The aggregate annual rent payable by Pact under the Centralbridge Leases for the period ended 31 December 2018 was $3.1 million (Dec 2017: $3.0 million). The rent payable under these leases was determined based on independent valuations and market conditions at the time the leases were entered into, and are therefore at arm's length.

Terms and conditions of transactions with related parties

As detailed above, all transactions with related parties are made at arm's length. Outstanding balances at the end of the period are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables.

5.5 SEGMENT ASSETS AND SEGMENT LIABILITIES

Segment assets

$'000	Dec 2018
Packaging and Sustainability	**1,252,916**
Contract Manufacturing Services	**158,620**
Materials Handling and Pooling	**270,263**
Total Segment Assets	**1,681,799**
Reconciliation to total assets[1]:	
Deferred tax assets	**40,826**
TOTAL ASSETS	**1,722,625**

Segment liabilities

$'000	Dec 2018
Packaging and Sustainability	341,952
Contract Manufacturing Services	96,625
Materials Handling and Pooling	155,540
Total Segment Liabilities	**594,117**
Reconciliation to total liabilities[1]:	
Interest-bearing liabilities	799,952
Income tax payable	12,218
Deferred tax liabilities	24,237
TOTAL LIABILITIES	**1,430,524**

[1] These reconciling items are managed centrally and not allocated to reportable segments.

The table below shows segment assets and liabilities for the comparative period, prior to the change in operating segments for the current year:

Segment assets

$'000	Jun 2018
Pact Australia	1,175,138
Pact International	675,449
Total Segment Assets	**1,850,587**

Segment liabilities

$'000	Jun 2018
Pact Australia	924,907
Pact International	342,480
Total Segment Liabilities	**1,267,387**

5.6 CONTINGENCIES

The Group is not party to any legal proceedings that are expected, individually or in the aggregate, to have a material adverse effect on its business, financial position or operating results.

5.7 SUBSEQUENT EVENTS

There have been no material matters or circumstances which have arisen between 31 December 2018 and the date of this report that have significantly affected or may significantly affect the operations of the Group, the results of those operations and the state of affairs of the Group in subsequent financial periods.

Directors' Declaration

In the Directors' opinion:

1. The half-year consolidated financial statements and notes are in accordance with the *Corporations Act 2001* including:

   (a) giving a true and fair view of the Group's financial position as at 31 December 2018 and of its performance for the half-year ended on that date;

   (b) complying with Australian Accounting Standards AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.

2. There are reasonable grounds to believe that Pact Group Holdings Ltd will be able to pay its debts as and when they become due and payable.

This Declaration is made in accordance with a resolution of the Directors

……………………………………
Raphael Geminder
Executive Chairman

……………………………………
Peter Margin
Non-Executive Director

Dated 20 February 2019

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Independent Auditor's Review Report to the Members of Pact Group Holdings Ltd

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Pact Group Holdings Ltd (the Company) and its subsidiaries (collectively the Group), which comprises the condensed statement of financial position as at 31 December 2018, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the Corporations Act 2001, including:

a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2018 and of its consolidated financial performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Pact Group Holdings Ltd and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

Glenn Carmody
Partner
Melbourne
20 February 2019

DIRECTORS' REPORT

The Directors present their report on the consolidated entity consisting of Pact Group Holdings Ltd ("Pact" or the "Company") and the entities it controlled at the end of, or during, the half-year ended 31 December 2018 (the "Group").

DIRECTORS

The following persons were Directors of the Company from the start of the half-year and up to the date of this report, unless otherwise stated:

Non-Executive

Lyndsey Cattermole AM

Peter Margin

Jonathan Ling

Ray Horsburgh AM

Carmen Chua (appointed on 1 September 2018)

Executive

Raphael Geminder – Executive Chairman (formerly non-executive chairman until 10 September 2018)

Malcolm Bundey – Managing Director and Chief Executive Officer (resigned on 10 September 2018)

PRINCIPAL ACTIVITIES

Pact is a leading provider of specialty packaging solutions, servicing both consumer and industrial sectors. Pact specialises in the manufacture and supply of rigid plastic and metal packaging, materials handling solutions, contract manufacturing services and recycling and sustainability services.

REVIEW OF OPERATIONS AND FINANCIAL PERFORMANCE

A review of the operations of the Group during the half-year and the results of those operations is contained in the ASX announcement on 20 February 2019.

DIVIDENDS

The Directors have determined that there will be no interim dividend in the current year. For the half-year ended 31 December 2017, an interim dividend of 11.5 cents was paid.
A 2018 final dividend of 11.5 cents per ordinary share franked to 65% per ordinary share was paid by the Company on 4 October 2018.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out at page 23.

ROUNDING

The results are presented in Australian dollars with all values rounded to the nearest $1,000, unless otherwise stated, in accordance with the *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*.

Signed in accordance with a resolution of the Board of Directors.

Raphael Geminder
Executive Chairman

Peter Margin
Non-Executive Director

Dated: 20 February 2019

Building a better working world

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Auditor's Independence Declaration to the Directors of Pact Group Holdings Ltd

As lead auditor for the review of Pact Group Holdings Ltd for the half-year ended 31 December 2018, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Pact Group Holdings Ltd and the entities it controlled during the financial period.

Ernst & Young

Ernst & Young

Glenn Carmody
Partner
Melbourne
20 February 2019